

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /094 W

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R 140130Z JUL 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 663

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

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E.O. 11652: NA

TAGS: ENRG, PP

SUBJ: GPNG PLANS TO MODIFY STRINGENT OIL LEGISLATION

REF: PORT MORESBY 426

1. SUMMARY: THE PETROLEUM (SUBMERGED LANDS) BILL GAZETTED IN EARLY APRIL 1975 PER REFTTEL IS UNDERGOING SERIOUS REVIEW AND SUBSTANTIAL REVISION BY GPNG OFFICIALS. PROSPECTS ARE NOW THAT THE MODIFICATIONS WILL MAKE OIL PROSPECTING IN PNG CONSIDERABLY MORE ATTRACTIVE TO FOREIGN FIRMS, MOST OF WHICH ARE AMERICAN CONTROLLED. END SUMMARY.

2. ACCORDING TO AN OFFICIAL IN CENTRAL PLANNING OFFICE, KEITH PALMER, THE PETROLEUM (SUBMERGED LANDS) BILL INTRODUCED BY MINES MINISTER, SIR PAUL LAPUN, AND PASSED IN EARLY
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APRIL, IS UNDERGOING SUBSTANTIAL REVISION. THE BILL IN-

CREASED RISK TO OIL EXPLORERS BY PROVIDING FOR OIL AND GAS EXPLORATION WITHOUT GUARANTEES THAT ONCE A STRIKE IS MADE THE SAME COMPANY OR CONSORTIUM WILL BE ABLE TO EXPLOIT THE RESOURCE. THIS WAS SEEN BY INDUSTRY SOURCES AS SHARPLY RESTRICTIVE.

3. UNDER THE REVISED VERSION, LICENSING MAY STAY THE SAME, BUT GUARANTEES WILL BE GIVEN TO EXPLORING FIRMS PROVIDING FOR THEM TO EXPLOIT THE OIL ONCE FOUND. THE GPNG WORKING GROUP IS ALSO DEVELOPING A TAX PACKAGE WHICH WILL COVER MOST DETAILS SO THAT COMPANIES WILL KNOW IN ADVANCE WITH A FAIR DEGREE OF CERTAINTY WHAT SHARE THE GOVERNMENT WILL TAKE. IT WILL NOT BE THE SAME AS THE COPPER AGREEMENT AND, ACCORDING TO A MEMBER OF THE WORKING GROUP, WILL HAVE SIGNIFICANT DIFFERENCES. THE LEGAL FRAMEWORK IS UNDER DISCUSSION, BUT THE CONGEN HAS NO HARD INFORMATION ON THIS ASPECT YET.

4. THE WORKING GROUP IS EXPECTED TO COMPLETE ITS WORK IN LATE NOVEMBER OR EARLY DECEMBER AT WHICH TIME A WHITE PAPER WILL BE MADE PUBLIC. ONCE APPROVAL IS MADE BY CABINET, IT IS EXPECTED SIRIFAU WILL SUBMIT THE NEW LEGISLATION TO THE HOUSE OF ASSEMBLY FOR ITS APPROVAL. THE INTRODUCTION OF A NEW BILL INTO THE HOUSE SHOULD BE NO LATER THAN MARCH 1976.

5. COMMENT: MODIFICATION OF THE PETROLEUM BILL SHOULD SIGNIFICANTLY REDUCE UNCERTAINTY RAISED BY PASSAGE OF THE PETROLEUM BILL. THE GUARANTEE TO DEVELOP AND MARKET THE RESOURCE WILL BE SEEN AS POSITIVE EVIDENCE OF GPNG'S INTEREST IN ENCOURAGING FOREIGN INVESTMENT IN THIS AREA. ALTHOUGH CONGEN DOES NOT YET HAVE DETAILS OF TAXING PROVISIONS, FROM DISCUSSIONS ON THE SUBJECT, THE GOVERNMENT IS WILLING TO BE FLEXIBLE. THUS NEGOTIATORS WILL HOPEFULLY HAVE MORE LATITUDE THAN IN THE RECENT PAST. END COMMENT.
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